

Message Text

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 8231

C O N F I D E N T I A L SEOUL 5306

E.O. 11652: GDS

TAGS: BEXP KS

SUBJ: ROK ELECTRONIC SWITCHING PROJECT

REF: STATE 161265, SEOUL 2389

1. IN CONVERSATION WITH LOCAL REPRESENTATIVE OF GENERAL TELEPHONE AND ELECTRONICS (GTE) WILLIAM R. MORLEY, HE CONFIRMED THE GTE BID ON THIS PROJECT WAS FOR 100 PERCENT AMERICAN PRODUCTS AT THE BEGINNING WITH A PHASE-IN OF 90 PERCENT LOCAL PRODUCTION OVER FIVE YEARS AS REQUIRED BY THE TERMS OF THE TENDER. FINANCING OF THE GTE PROPOSAL WILL BE A PROBLEM AND GTE EXPECTS TO APPROACH EXIMBANK AND/OR COMMERCIAL SOURCES FOR FINANCING. GTE IS WILLING TO GO INTO JOINT VENTURE WITH EQUITY CAPITAL WITH ANYBODY SUGGESTED BY THE KOREAN GOVERNMENT AND WOULD NOT BE OPPOSED TO A FOUR-WAY JOINT VENTURE WITH TWO KOREAN COMPANIES PLUS ITT AND GTE. GTE IS NOT INTERESTED AT THIS TIME IN THE TRANSFER OF TECHNOLOGY OR A LICENSING AGREEMENT WITHOUT THE JOINT VENTURE.

2. IN A CONVERSATION WITH AMBASSADOR, ITT REPRESENTATIVES CONFIRMED THAT THEIR INITIAL EQUIPMENT WITH SUPPLIER CREDITS IS TO BE PROVIDED FROM BELGIUM. JOHN PURDY, PRESIDENT OF ITT FAR EAST SAID, HOWEVER, THAT 35 PERCENT OF THE BELGIUM EQUIPMENT ACTUALLY CAME FROM THE U.S. ITT EXPRESSED WILLINGNESS TO TRANSFER TECHNOLOGY AND/OR LICENSING IN THEIR PROPOSAL TO THE ROK BUT APPEARED TO BE OPPOSED TO THE IDEA OF THE FOUR WAY JOINT VENTURE MENTIONED IN PARA ONE ON THE GROUNDS THAT GTE AND ITT HAD TWO DIFFERENT SYSTEMS WHICH WOULD HAVE TO BE INSTALLED SEPARATELY. ON A JOINT VENTURE PROPOSAL PURDY SAID ITT WOULD SUPPLY THE EQUITY CAPITAL AND FELT IT HAD NO PROBLEM IN OBTAINING THIS

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FROM THE U.S.

3. A MORE COMPLETE REPORT ON THIS PROJECT IS BEING DEVELOPED
BUT WE ARE AWAITING FOR THE FINAL ROK JULY 12 DATE FOR SUBMIS-
SION BY ALL BIDDERS OF ADDITIONAL INFORMATION.
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